

USDA FY 2016 BUDGET HIGHLIGHTS

Farmers, ranchers and those working in supporting industries maintain an agriculture sector that has seen strong growth over the past six years. Agriculture and related industries account for about \$775.8 billion in economic activity, support one out of every eleven jobs in the economy, and help to maintain vibrant, thriving rural communities. America's farmers and ranchers are expanding into new markets around the world, spurring innovation, and creating jobs and opportunity on and off the farm. Agricultural exports have climbed more than 58 percent in value since 2009, totaling \$771.7 billion over the past half-decade and set a new record in fiscal year 2014 at \$152.5 billion, more than \$11 billion above the previous record.

Rural America makes significant contributions to the security, prosperity, and economic strength of the country. USDA continues to focus on promoting economic opportunity, creating jobs, and enhancing the quality of life for those who live in rural America. USDA has worked to support families and businesses in rural communities so that their success will pay dividends for all Americans. Despite these investments, significant needs remain. While poverty is a rural, suburban and urban challenge, the reality is that nearly 85 percent of America's persistent poverty counties are in rural areas. Of particular concern, rural childhood poverty rates are at their highest point since 1986; one in four rural children live in poverty and deep poverty among children is more prevalent in rural areas, 12.2 percent in rural areas compared to 9.2 percent in urban areas. In addition, farming and natural-resource dependent areas are facing implications of climate change with declines in forest health and stresses from drought and increasingly severe wildfires.

The 2014 Farm Bill enhanced the array of authorities and resources to address these challenges and provide a foundation to help rural communities prosper, enhance the resiliency of forests and private working lands and ensure access to a safe, diverse and nutritious food supply. To date, the Department has completed implementation of many of these new Farm Bill authorities. This includes major new safety net programs, such as Agricultural Risk Coverage, Price Loss Coverage, and the Margin Protection Program for Dairy, providing certainty to American agricultural producers going into the 2015 crop year. The Nation's livestock producers were given access to critically needed disaster assistance to withstand losses resulting from devastating winter storms and excessive heat. Significant new crop insurance protections including the Stacked Income Protection Program, Supplemental Coverage Option, and Whole Farm Revenue Protection were made available. America's new and beginning farmers and ranchers, veteran farmers and ranchers, and women and minority farmers and ranchers were given improved access to credit. The Farm Bill also established innovative conservation programs and strengthened the integrity of the Supplemental Nutrition Assistance Program. The Foundation for Food and Agriculture Research (FFAR) was established to advance the research mission of the Department and foster collaboration with researchers in the public and private sectors. Congress provided \$200 million for FFAR, which must be matched by non-federal funds as the Foundation identifies and approves projects. FFAR is another innovative way to continue and expand investment in agricultural research by complementing existing Federal and Federally-funded activities.

The 2016 budget builds on the successes of the past six years and proposes a set of investments to spur innovation, create new markets and job opportunities, provide farmers and land managers new tools to succeed, enhance climate resiliency, improve access to a safe, nutritious food supply, and modernize infrastructure.

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The 2016 budget supports increases in key areas to address these opportunities and challenges.

Support for Agriculture. Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. The 2016 budget continues a strong farm safety net and makes investments to meet challenges of a competitive global market, changing climate, and making agriculture a reality for new and beginning farmers.

- **Direct and guaranteed loans to support about 42,600 producers**, 85 percent of whom will be beginning farmers and ranchers and socially disadvantaged producers. Since 2009, USDA processed 201,808 loans to farmers and ranchers.
- Support for **crop insurance coverage on an estimated \$110 billion in crop production.**
- **Assistance to support agricultural trade which reached a record \$152.5 billion in 2014**, including more than \$6.1 billion in trade preserved through resolution of foreign market access issues in 2014. Since 2009, USDA has helped challenge 880 sanitary and phytosanitary barriers to the export of American agricultural products, helping to spur record exports of American agricultural products.
- **Resources to assist the next generation of new and beginning farmers and ranchers overcome barriers they face when entering agricultural production.** This investment will support three overarching goals: assisting new producers in overcoming the most commonly-cited barriers – the inability to access sufficient capital and to acquire land; expanding financial literacy and business training tools to help support the development of financially sustainable operations; and, expanding access and awareness of available resources. Specifically, this investment includes \$4 million to support regional coordinators within Strikeforce States to facilitate and coordinate producer outreach and provide support for USDA employees in their region; establish a process through which beginning producer eligibility for FSA Direct Farm Ownership loans can be prequalified upon completion of formal training programs provided by partner organizations; and, provide cooperative agreement funding to partner organizations, who will provide enhanced technical assistance and loan support to FSA customers, enabling their operational success.
- **Plant and animal pest and disease control programs to protect \$191 billion of livestock, poultry and specialty crops.** In FY 2012, USDA streamlined and improved the process for making determinations on petitions involving biotechnology. As a result of the enhancements, the length of the petition review has been reduced from as long as 5 years to 13 – 15 months. USDA estimates that the cumulative number of actions taken to deregulate biotechnology products based on a scientific determination that they do not pose a plant pest risk will increase from 87 actions in 2011 to 119 in 2016. In FY 2014, APHIS completed review on seven petitions, surpassing its goal of five determinations of nonregulated status.

Rural Opportunities. The rural economy is stronger today because of the investments made by USDA in the prosperity of rural communities. For example, in the past six years, the Department helped more than 900,000 rural families buy or refinance a home, helping over 146,000 rural Americans become homeowners in fiscal year 2014 alone. Since 2009, over 15.7 million rural

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residents were able to get access to clean drinking water and better waste water disposal. USDA has supported more than 21,000 grants and loans, creating or saving more than 418,000 jobs between fiscal years 2009 and 2014. The 2016 budget continues to make investments to increase rural opportunities, including funding to support infrastructure and other investments in rural America:

- **A total of \$920 million to support rural business creation and expansion through loans and grants.** This level of funding is **estimated to provide approximately 32,000 jobs in rural areas.** This funding will support revolving loan funds and microentrepreneur development activities in rural areas. Additionally, funding is provided to support agricultural producers develop and market value added products.
- Loans for rural **electric improvements will improve service for 5.5 million rural residents** and loans and grants for **telecommunications projects will improve services for 140,000 households and businesses.**
- **Doubles the current funding for broadband loans and grants** that serve the neediest, most rural communities, which are least likely to have access to high-speed broadband infrastructure. Since 2009, USDA has financed 262 broadband projects that will cover over 750,000 premises. In addition, USDA financed 255 broadband awards made under the Recovery Act that are currently providing service to 208,879 households, 14,879 businesses and 1,746 schools/libraries/health facilities/public safety facilities.
- **Improves health, safety and educational facilities that provide critical services to rural residents.** Increased funding for **community facilities grants will address emerging priorities such as Promise Zones, Energy Sector Transition, Generation Indigenous, and Strike Force Communities.** These funds will allow USDA to be responsive to new needs in communities across rural America and target them in a flexible way.
- **Over 170,000 families will enjoy homeownership opportunities. Since 2009, the Rural Housing Service has financed approximately 905,000 home loans.**
- **Resources to support a demonstration program to implement innovative strategies to combat rural child poverty.**
- **Supports the Healthy Food Financing Initiative,** which will provide funding to improve access to affordable, healthy foods in underserved areas. Nationwide, USDA estimates that 23.5 million people, including 6.5 million children, live in low-income areas that are more than a mile from a supermarket. This effort will complement work to help our Nation's farmers and ranchers take advantage of emerging marketing opportunities for local and regional foods through on-farm research, support for value-added production and processing, farm-to-school efforts, and venues such as food hubs. In the last two years, USDA supported over 500 local food infrastructure projects and has a goal of adding another 400 new markets in 2015.

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Conservation for Private Working Lands and Public Spaces. Farms and forests help generate rural wealth through agriculture, recreation and tourism, the creation of green jobs and the production of wood products and energy. These lands are also critical in offering benefits of clean air, clean and abundant water and critical wildlife habitat. Continued prosperity and benefits rely upon careful stewardship of these lands, particularly in the face of a changing climate. The 2016 Budget supports significant investments in conservation efforts.

- **With 2016 funding cumulative enrollment in Farm Bill conservation programs will reach a record 416 million acres.**
- **193 million acres of Forest and Grasslands will be maintained by the Forest Service enabling 166 million visitors to enjoy the beauty and serenity of these forests and lands. Visitation to our national forests and grasslands supports approximately 194,000 jobs and contributes over \$13 billion to the Nation's economy.**
- **\$200 million in funding for the Watershed and Flood Prevention Operations Program** to help communities adapt to changing natural resource conditions and climate change, and to minimize the impacts of natural disasters including, but not limited to, coastal flooding.
- **USDA will competitively award about \$235 million through the Regional Conservation Partnership Program (RCPP).** This funding will leverage an equivalent amount from partners doubling the amount of funding available for conservation through RCPP. Under RCPP, USDA's partners propose conservation projects to improve soil health, water quality and water use efficiency, wildlife habitat, and other related natural resources on private lands.

Food Security and Safety. A plentiful supply of safe and nutritious food is essential to the well-being and productivity of all Americans. Over the course of a year, one in four Americans will be served by one of USDA's nutrition assistance programs designed to prevent hunger and obesity. Even more Americans will be reached through USDA nutrition education activities. The 2016 Budget supports access to a safe, nutritious food supply:

- **Funds projected participation in nutrition assistance programs, including:**
 - Average monthly participation of 45.7 million in SNAP.
 - 30.3 million children will be served school lunches and about 14.6 million will be served school breakfast each day.
 - Average monthly participation of 8.5 million women, infants, and children who will get better nutrition through the WIC program.

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- **Expands summer food demonstration projects** to test methods of providing access to food for low-income children during the summer months when schools are not in session. As many as 200,000 families could benefit each year, beginning in the summer of 2016. Since 2009, USDA has expanded summer feeding programs to an additional 10,012 sites, bringing the total number of sites to 44,806. The Budget also includes **\$35 million in school equipment grants** to aid in the provision of healthy meals and continued support for other school-based resources.
- **Facilitates access to SNAP by the elderly** by helping States use data matching in lieu of reporting requirements for these generally stable households.
- **Supports the development of the first-ever dietary guidelines for children birth to two years.**
- **All Americans will be better protected from foodborne illness with nearly 23,000 fewer illnesses projected in 2016 from 2014 as a result of FSIS food inspection.**

Innovation. USDA has a long history of fostering research and innovation that has helped agricultural production thrive to the benefit of all Americans. In 1929, approximately 20 percent of disposable personal income went to paying for food consumed in the home. By 2013, this amount stood at approximately 6 percent. Progress continues in support of technological development and the biobased economy. In 2014, ARS scientists filed 110 patent applications with the U.S. Patent and Trademark Office and were issued 78 patents. ARS executed 28 new license agreements of ARS-developed technology, 93 percent of which are with small businesses and universities that support new businesses, start-up businesses, and job opportunities. Agricultural innovation is increasingly important as rural America faces the evolving threat of a changing climate. The 2016 Budget provides strong support for innovation in a number of ways:

- A total of **\$2.9 billion for agricultural research and extension activities**, including \$450 million for competitive grants through the Agriculture and Food Research Initiative and \$80 million to fund two new public-private innovation institutes related to biomanufacturing and nanocellulosic technology. ARS scientists will work on 800 research projects. The 2016 request includes:
 - **\$79 million for research to address the decline of honey bee health** with a goal of ensuring the recovery of this critical subset of pollinators in consultation with EPA and other relevant Federal partners.
 - As part of a coordinated Federal strategy, includes an increase of about **\$57 million to address antimicrobial resistance in pathogens of humans and livestock**, and to seek answers to key questions about the relationships among microbes and livestock, the environment, and human health.

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- **Additional research on climate resiliency in different agronomic** systems to develop tools needed by producers to limit production losses associated with environmental changes.
- **New and expanded research and technical assistance for small-scale agricultural producers to** overcome challenges in attaining sustainable profitability given that they lack the economy-of-scale advantages of larger producers. Efforts include **food safety training and technical assistance to owners of small farms and food processors** to help them implement Federal food safety guidelines, particularly those resulting from the Food Safety Modernization Act.
- Launches two **new multidisciplinary agricultural research institutes** dedicated to nanocellulosics and biomanufacturing/bioproducts research.

Modernization. While providing record levels of service to rural America, USDA has improved the management operations of the Department. Through the Blueprint for Stronger Service, USDA has taken proactive steps in recent years to reduce spending, streamline operations and cut costs. These proactive steps have enhanced the ability to carry out our mission-critical work, while ensuring that USDA's millions of customers across America receive stronger service. Through the Blueprint, USDA has achieved over \$1.3 billion in savings and cost avoidance in the management and administrative areas that support Departmental operations. Continuing this work, the Department is focused on maximizing its real property assets and by increasing the efficiency of procurement through enhanced strategic sourcing. The 2016 Budget builds on the success achieved to date and proposes other program reforms.

- **USDA – USAID effort to strengthen the coordination and enhance leveraging of McGovern-Dole resources** with USAID education-focused activities. McGovern-Dole helps feed over 3 million children each year.
- **A Rural Corps pilot** is funded to put economic development professionals in 10 high-need areas to provide technical assistance and hands-on support at the local level. This model will increase the likelihood that investments in infrastructure and economic development are strategic, creating jobs and long-term economic benefits within in the region.
- **Enhanced crop insurance program compliance efforts** to reduce improper payments in this program that provides protection for over \$110 billion of agricultural production.
- **Strengthens SNAP Employment and Training (E&T)** by assisting States which are transitioning off the SNAP time-limit waivers to provide employment and training (E&T) to able-bodied adults without dependents. Supports programs to proactively engage, support and guide State agencies and their partners in developing innovative, demand-driven training programs that empower SNAP recipients to attain self-sufficiency.

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- **Improved program integrity for Child Nutrition Programs and SNAP aimed at reducing waste, fraud and abuse** and ensure that program resources are targeted to those most in need.
- **Key infrastructure investments** include fully funding USDA's five highest laboratory construction and renovation needs, including the poultry biosafety and laboratory consolidation in Athens, GA.
- **Continued efforts to improve management of the Department**, including modernization of the 80 year old South Building in the headquarters complex, that will reduce operating costs and establishment of a digital services team to improve the effectiveness of the Department's IT systems.

Proposes Targeted Reforms.

- The 2016 Budget proposes an **alternative funding approach to wildland fire suppression which does not rely on fire transfers and does not increase total discretionary spending**. In this proposed approach, additional budget resources are made available to USDA through a budget cap adjustment to cover wildland fire suppression above the base appropriation. This approach will allow the Forest Service to stabilize and invest in programs that more effectively restore forested landscapes and prepare the 70,000 communities in the Wildland Urban Interface to avert and minimize damage from future wildfires.
- **Reforms crop insurance subsidies** to producers to make the program less costly to the taxpayer while still maintaining a quality safety net for farmers.